

AR13

PETROFINA CANADA LTD.

Fifteenth Annual Report
1968



Front Cover

The rapid expansion in jet aircraft travel has created an unprecedented demand for fuel having rigid specifications as to quality. At the present time, your Company supplies jet fuel to a number of the prominent transatlantic airlines operating out of Montreal.

Highlights of the Year



Financial	1968	1967
Revenues	\$162,712,000	\$155,709,000
Cash income (net income plus write-offs)	22,792,000	21,082,000
Net income	13,014,000	10,706,000
— per Common Share	1.31	1.08
Dividends paid on Common Shares	5,961,000	5,947,000
— per Common Share	.60	.60
Capital expenditures	16,612,000	32,332,000
Long term debt at end of year	46,739,000	49,500,000
Shareholders' investment at end of year	146,750,000	139,457,000

Operating

Production of crude oil and natural gas liquids		
— gross (barrels)	5,151,000	5,305,000
Natural gas produced and sold		
— gross (thousands of cubic feet)	24,969,000	23,494,000
Production of sulphur (long tons)	84,900	81,000
Crude oil runs to refinery (barrels)	17,666,000	15,852,000



Board of Directors

D. W. Ambridge, C.B.E.
*Honorary Chairman of the Board,
Abitibi Paper Company Ltd.*

W. A. Arbuckle
*Chairman of the Canadian Board of Directors,
The Standard Life Assurance Company*

Paul Bienvenu
*Director,
Ogilvie Flour Mills Co. Ltd.*

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*Chairman of the Board and Chief
Executive Officer, Petrofina Canada Ltd.*

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*Senior Partner,
Stewart, MacKeen & Covert*

W. L. Forster, C.B.E.
Consultant

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*Chairman of the Board and President,
Canadian Fina Oil Limited*

Emmanuel Lamy
*President,
Banque de l'Union Parisienne — C.F.C.B.*

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Petroleum Consultant

Blancke Noyes
*Partner,
Hornblower & Weeks — Hemphill, Noyes*

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President, Petrofina Canada Ltd.

Jean Raymond, Q.C.
*Chairman and President,
Alphonse Raymond Limited*

Sam Steinberg
President, Steinberg's Limited

Peter N. Thomson
*Deputy Chairman,
Power Corporation of Canada, Limited*

J. R. Timmins, O.B.E.
Senior Partner, J. R. Timmins & Co.

Baron Wolters
*Chairman and Managing Director,
Petrofina, S.A.*

Principal Officers

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*Chairman of the Board and
Chief Executive Officer*

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President

J. Cartier,
Vice-President (Marketing)

Donald S. Harvie,
*Vice-President
(Exploration and Production)*

H. J. Hughes,
Vice-President and Comptroller

J. F. Mills,
Vice-President (Manufacturing)

K. S. C. Mulhall,
Vice-President and Treasurer

A. W. McLeod,
General Counsel and Secretary

Executive Offices

The Royal Bank of Canada Building,
1 Place Ville Marie,
Montreal 113, Quebec, Canada

Auditors

Clarkson, Gordon & Co.

Transfer Agent

Montreal Trust Company

Registrar

The Royal Trust Company

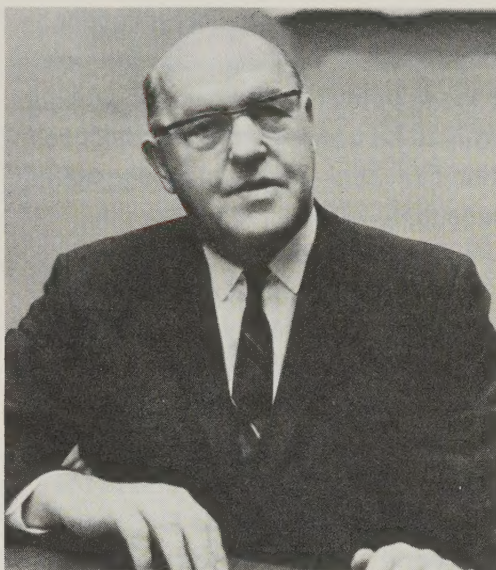
*Ce Rapport a été publié en français
et en anglais. Si vous préférez
un exemplaire français, veuillez en
faire la demande au :*

*Secrétaire, Petrofina Canada Ltée
1 Place Ville Marie
Montréal 113, Québec, Canada*

To the Shareholders



A. F. Campo
*Chairman of the Board and
Chief Executive Officer*



J. R. Patton
President

The year 1968 was a good one for the Canadian economy. After a slowdown in 1967, there was an acceleration in the rate of growth of economic activity. The Gross National Product increased by 7.8% in current dollars and by 4% in real terms. Demand for goods and services was firm, housing activity reached new record levels and personal consumption continued to rise as personal incomes expanded.

The main impetus in the Canadian economy was due to the growth of exports. The surplus of merchandise trade rose to well over \$1 billion; by far the largest ever realized. The dominant factor in this rise was the accelerated tempo of business in the United States.

However, two factors were disappointing in 1968; the high rate of unemployment, which increased from 4% to 5% of the labour force, and continuing price instability. Prices increased mainly as a result of large government expenditures at all levels and escalation of wage rates.

The financing needs of governments exerted considerable strain on Canadian credit markets. The federal government raised about \$1.5 billion, mainly through new bond and treasury bill issues placed with the banking system. The reluctance of investors to buy bonds, even at high interest rates, forced some provincial and municipal governments to seek long term funds abroad and to confine their domestic financing to the short term money market. Corporations found themselves less able to borrow even at interest rates which had reached record high levels.

The Canadian petroleum industry achieved remarkable growth during



the year. Production of crude oil and natural gas liquids increased to 1.2 million barrels per day or 7.9% over 1967. Crude oil exports to the United States increased by 11.1%, while deliveries to domestic refineries in Ontario and the western provinces rose by 5.7%. Domestic consumption of petroleum products reached 1.3 million barrels per day, an increase of 5.6% over 1967. Natural gas production gained 12.2% over 1967 with almost half of total sales exported to the United States.

Your Company's record was one of continued growth. Net earnings increased by 21.6% to \$13,014,000, while cash generated from operations also reached a new high in the amount of \$22,792,000. Per share net earnings amounted to \$1.31, on which dividends of 60¢ have been paid: these dividends are eligible for a 15% depletion allowance, in addition to the 20% normal allowance granted to taxpayers resident in Canada. Further details relating to the Company's financial operations appear elsewhere in this report.

During 1968, Mr. A. F. Campo was elected Chairman of the Board and Chief Executive Officer of the Company. Mr. Campo had been President since 1956.

Dr. J. R. Patton was elected President, having previously been Vice-President of the Manufacturing Division of the Company.

As at December 31, 1968, the Company had 1,607 employees. These employees represent the Company's most important asset and we take this opportunity to express our appreciation to them for their intelligent dedication to the Company's interests.

Exploration and Production

The exploration and production operations of Petrofina Canada Ltd. continue to be conducted through Canadian Fina Oil Limited, a wholly-owned subsidiary with its head office in Calgary, Alberta.

Holdings of petroleum and natural gas rights were, for the second successive year, materially increased with the addition of Federal Permit Lands located in the Hudson Bay region, in the Northwest Territories and in the Yukon. At December 31, 1968, the Company held varying interests in 88 million acres amounting to approximately 11.3 million net acres.

A comprehensive map showing the location of the Company's principal land holdings appears at the back of this report.

The major acquisitions in 1968 included the purchase of a 6.25% working interest in 70 million acres of Federal and Provincial rights located in and on the southwest shoreline of Hudson Bay. Following several seasons of off-shore seismic work, plans are being made to drill a significant underwater structure in mid-1969. Early tests are expected to be extremely costly, as the group in which we are partners, pioneers some of the physical problems of this new region. Suitable drilling vessels must be transported long distances and then can only work through a short season if they are not to become locked in by ice over the following winter. Other material acquisitions involved rights in the Maritimes, the Northwest Territories, and the Zama Lake, Whitecourt, Greencourt and Youngstown areas of Alberta.

The Company's accelerated geo-physical operations included participa-

tion in significant seismograph surveys in the Northwest Territories, northern Alberta, Saskatchewan, Hudson Bay and in the Maritimes.

The Company participated in the drilling of 89 wells, compared with 76 wells in the previous year. This activity resulted in the completion of 20 oil wells, 16 gas wells, 2 dually completed oil and gas wells, 2 injection wells, 2 suspended wells, 38 abandonments and, at the year-end, 9 wells were still drilling or being completed.

The most significant discovery was referred to in last year's report as Fox Creek. Since then the area has been renamed Kaybob South after it was ascertained that this deep reservoir extended some 30 miles south to make it probably one of Canada's largest known wet gas discoveries to date. Evaluation drilling continued throughout 1968. The Company will own between six and ten percent in the southern two units and plants.

Some 45 miles northwest of Calgary, the Company owns a 40% interest in a large exploration project known as Benjamin Creek. Several years ago a deep typical Mississippian foothills structure was drilled and encountered dry sour gas. Two, on-trend, but widespread stepouts followed, which were abandoned. Then in mid-1968, a 1.5 mile northwest follow-up to the original discovery was spudded and by year-end had penetrated three fully repeated slices of the zone which was gas productive in the discovery. Casing has now been set and evaluation will be undertaken over the next few months.

Success finally rewarded the Company's active participation in the Rainbow area of northwest Alberta.

One small, but good, oil reef was discovered in the spring, at Zama, on a half section parcel where our interest is 25% and at the year-end another feature several miles away was found to be productive of both oil and gas in two different horizons. In the latter discovery, our interest is 33.3% and we believe there are several other features which warrant drilling on other adjacent 33.3% interest lands.

In Saskatchewan, a large and wide-spread three-year exploration effort culminated with the drilling, during 1968, of 6 deep wildcat wells — 2 by others at no Company cost and 4 by the Company. All were abandoned, which was disappointing and this will require a careful review of the geological information obtained.

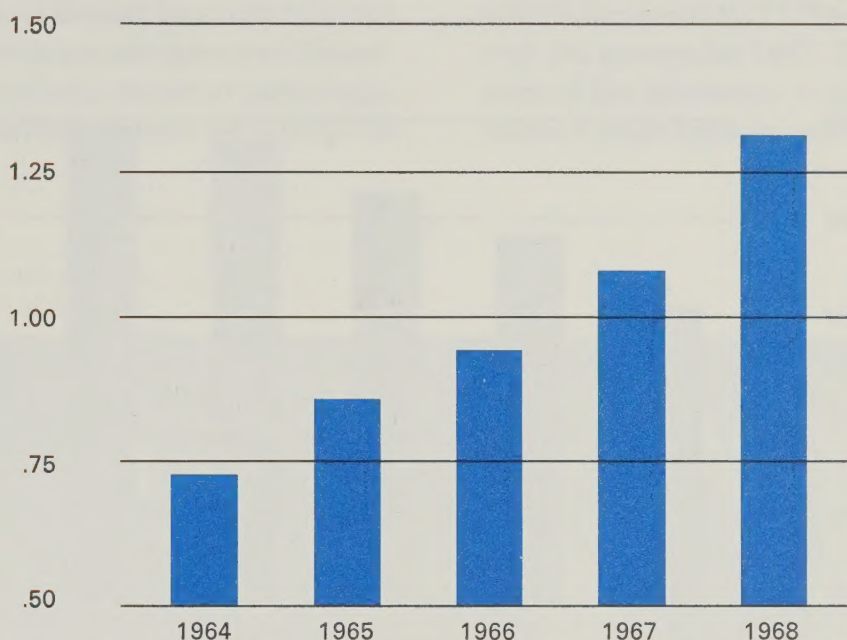
In spite of the encouraging exploration successes in the Kaybob South field, production levels remained almost equal to the prior year. This was due to the changing oil proration formula in Alberta and loss due to a plant fire referred to later. By year-end, all production was, however, showing good gains consistent with improved market demand.

The Company's production of crude oil and natural gas liquids, before royalties, was approximately 5.151 million barrels compared to 5.305 million barrels in 1967. The 1968 daily average was 14,075 barrels. Natural gas sales, before royalties, amounted to 25.0 billion cubic feet, compared to 23.5 billion cubic feet in the previous year. Sulphur sales amounted to 52,400 long tons, compared to 81,100 long tons in 1967.

Net proven reserves, before royalties, were estimated at year-end to be 110 million barrels of liquids (95) ; 701

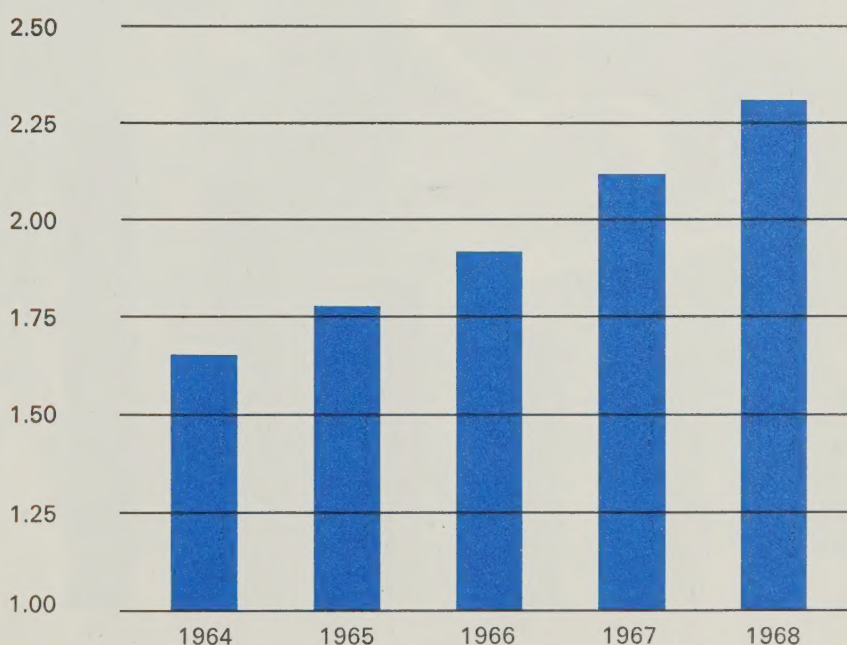
NET PROFIT PER SHARE

DOLLARS



CASH GENERATION PER SHARE

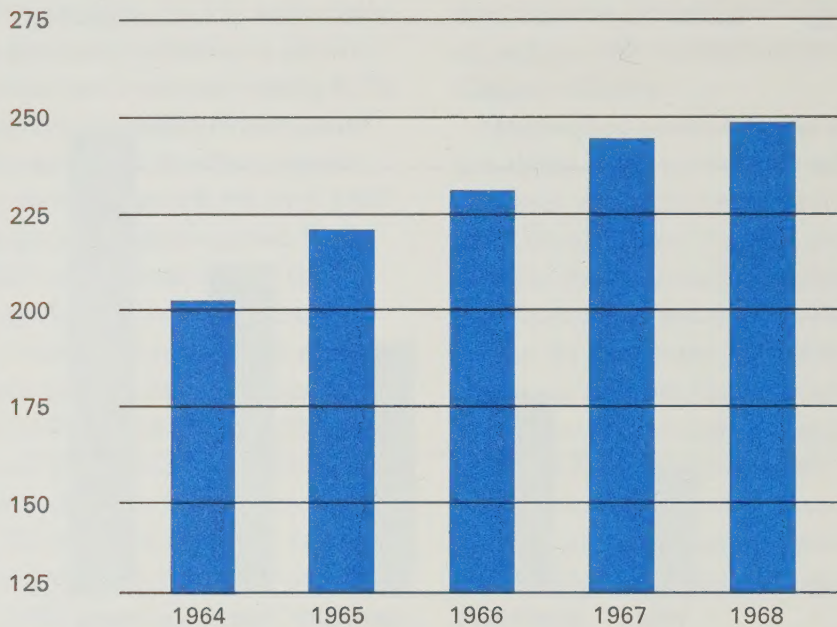
DOLLARS





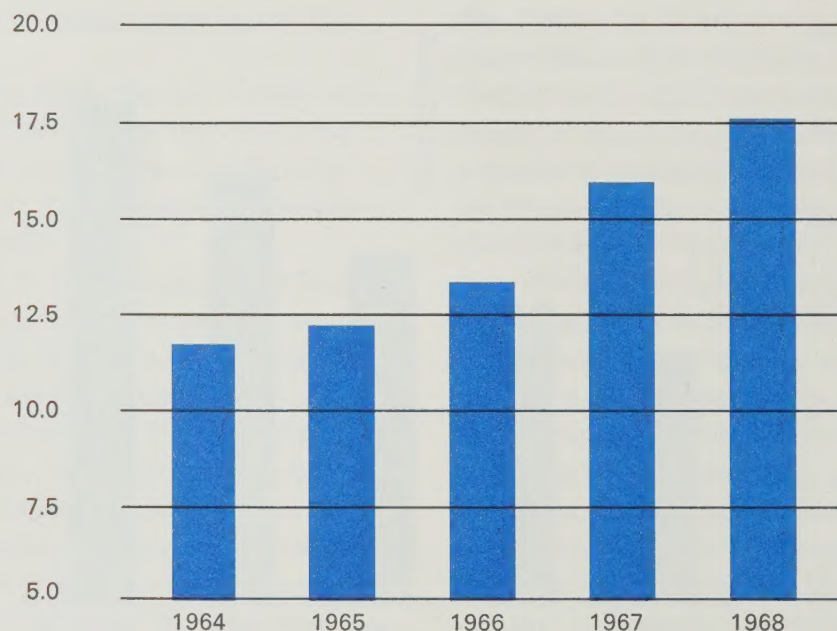
TOTAL ASSETS

MILLIONS OF DOLLARS



CRUDE OIL RUNS TO REFINERY STILLs

MILLIONS OF BARRELS



billion cubic feet of natural gas (635) and 2.8 million long tons of sulphur (2.1). The figures for the prior year-end are shown in brackets in order to offer a comparison. **No probable, heavy oil, or oil sand reserve figures are included.**

The large Whitecourt wet gas complex, which represents the second largest source of our western Canadian revenues, suffered a fire in the plant at mid-year. For three months the unit operated at well below capacity while repairs were being completed. Insurance covered the physical damage but not the deferment in production.

Two more significant oil interests were unitized during the year. These were the Gilwood sand reservoirs at Mitsue and Nipisi in Alberta where waterflood facilities are being installed; this will benefit all owners through enhanced oil recovery and higher allowances. Firm plans were made to place the Company's Figure Lake shut-in gas field on production in the fall of 1969.

During the year, the Company reduced its equity in Peace River Oil Pipe Line Co. Ltd. from 14.75% to 10.33%. This equity is still considerably in excess of the Company's share of throughput. The extension of Peace River's system to Zama in north-western Alberta was completed and placed in operation with throughput at year-end being in accordance with projections.

Prices of sulphur began to soften considerably about mid-year. As its output, being a function of natural gas production, could not be reduced to meet market conditions, some stockpiling resulted.

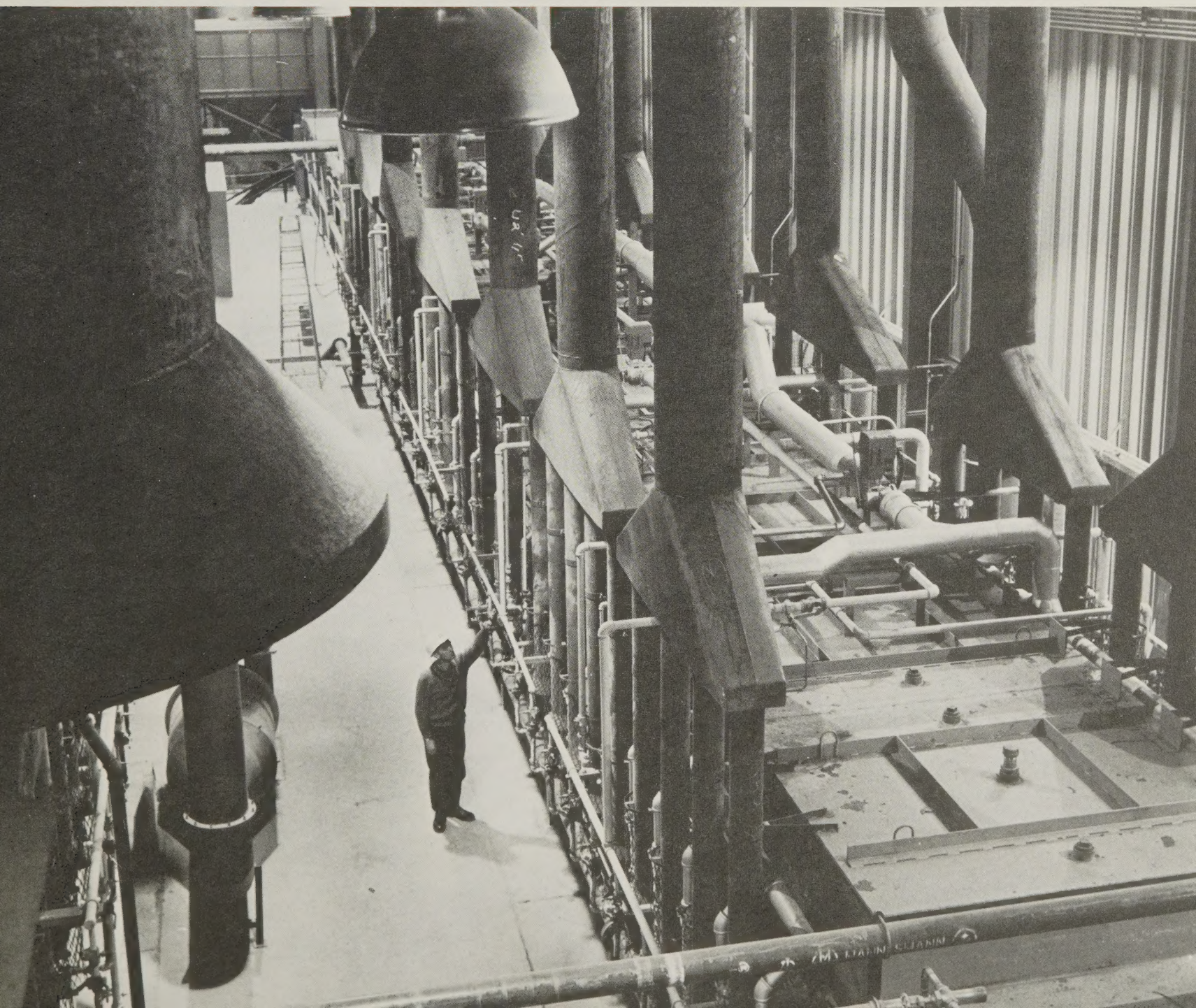
The long term picture for the Athabasca Oil Sands remained very uncertain. The Alberta Government moved to update its policy and several new applications for production permits were filed ; the largest being an application by others for 80,000 barrels per day using the mining method. In

December, this project was further delayed, solely due to market uncertainties in the United States for Canadian crude. The Company remained active on its own important holdings and plans a prudent level of expenditures to keep abreast of technology, until definite markets are established.

Supply and Refinery Sales

During the year, 17,668,000 barrels of crude oil were delivered to the refinery at Pointe-aux-Trembles. The volume increased by 13.3% compared with the amount for 1967. Transportation of this substantial volume involves a major logistics problem re-

A partial view of the Fina Metal Ltd. new steel powder plant located at Pointe-aux-Trembles, Quebec, adjacent to the Company's refinery.



lating to the utilization of large tankers and the pipeline system in which the Company has an interest.

Marine transportation costs continued at an abnormally high rate during 1968, but, because of long term charter agreements entered into in prior years and the use of larger tankers, the impact of these higher rates was not felt by the Company.

Further savings were effected by the use of jumbo tank cars for the

transportation of finished products to the Company's various terminals.

The total volume of products distributed during the year was approximately 565 million gallons.

Sales of refinery gas and propane increased by 15%. The propylene trimer plant operated at capacity, as did the polyisobutylene and vanadium pentoxide units. A larger percentage of petrochemical products was exported to the United States and

Commonwealth countries than in the previous year.

Manufacturing

Crude runs to the refinery reached a record volume of 17,666,000 barrels, an average of 48,300 barrels per day. This represents an increase of 11.4% over the previous year.

A number of modifications and extensions were made at the Pointe-aux-

A view of one of the Company's new diagnostic clinics located on the Trans-Canada Highway just west of Montreal.



Trembles refinery. A steam methane reforming-type hydrogen plant was constructed, having a capacity of 2,000,000 cubic feet per day. The complete output of the hydrogen plant is sold to an affiliated company. Other facilities constructed during the year included an extension to the industrial asphalt plant and installation of a pre-fractionation system. This latter unit is designed to remove impurities and produce a larger volume of feed stock for the polyisobutylene plant. Also, storage capacity for crude oil was increased by the erection of a 322,500 barrel floating-roof type tank.

Construction of the new steel powder plant by Fina Metal Ltd. was completed in late 1968 and quality control tests were being carried out at the end of the year. A picture of a portion of the plant appears elsewhere in this report.

Marketing

The shift in trading areas, new housing developments, shopping complexes and high speed highways have made it necessary to eliminate small un-profitable service station operations. In their place, we have located new one-stop automotive centres in the areas of denser population and focal points of retail marketing, such as large shopping centres.

In order to make the service stations more attractive from the aesthetic and functional point of view, we have adopted a new architectural design and the first prototypes are under construction.

Aside from the efforts made to improve the appearance of service stations, the Company has spent con-

siderable time and effort on training the operators for these outlets. We anticipate that by utilizing modern instructional techniques, the calibre of the personnel will continue to improve.

Particular attention has been paid in recent years to the development, at the retail sales level, of heating fuels for home use. Through direct Company

operations, and those of subsidiaries, the Company has developed outlets for a substantial volume of middle distillate products.

The Company has also been able to obtain an important volume of jet fuel business. The amount of jet fuel sold in 1968 was greatly in excess of that for the previous year.

Financial Review

Despite a major fire which disrupted our natural gas and gas liquids production in western Canada for several months, net consolidated earnings amounted to a record \$13,014,000. A statistical comparison is as follows:—

	1968	1967	1966
Net profits	\$13,014,000	\$10,706,000	\$9,292,000
Net profits per share	\$1.31	\$1.08	94¢

Concurrently, the total cash generated from operations also increased materially as is indicated in the following table:—

	1968	1967	1966
Cash generated from operations	\$22,792,000	\$21,082,000	\$18,920,000
Cash generated per share	\$2.29	\$2.12	\$1.91

During 1968, dividends totalling \$5,961,000 were paid to shareholders.

In 1968, as a result of the implementation of expansion plans, the following capital amounts were invested in properties, plant and equipment:—

Production	\$ 8,665,000
Refining	3,077,000
Marketing	4,688,000
Other	182,000
	<u>\$16,612,000</u>

Despite these expenditures, long term debt at the end of 1968, amounted to \$46,739,000 compared with \$49,500,000 at the end of 1967.

Submitted on behalf of the Board.

March 7, 1969

A. Bampo

Chairman of the Board and
Chief Executive Officer



Financial Report

Consolidated Balance Sheet, December 31, 1968 (with comparative figures at December 31, 1967)**Assets**

	1968	1967
CURRENT:		
Cash	\$ 3,359,725	\$ 5,795,094
Accounts receivable, less allowance for doubtful accounts	40,944,293	36,688,311
Due from affiliated companies	215,631	2,405,437
Inventories — (note 1)		
Oil products and other merchandise	15,823,487	16,127,220
Materials and supplies	2,032,381	1,733,170
Prepaid expenses	721,181	1,191,278
Total current assets	<u>63,096,698</u>	<u>63,940,510</u>
INVESTMENTS AND ADVANCES — at cost:		
Investments in other companies (note 2)	3,477,765	2,816,559
Exploration, development and production deposits	911,807	735,819
Mortgages and other advances (note 7)	7,384,783	9,977,243
	<u>11,774,355</u>	<u>13,529,621</u>
PROPERTIES, PLANT AND EQUIPMENT — (note 3)	<u>163,269,010</u>	<u>157,802,388</u>
DEFERRED CHARGES:		
Unamortized debt discount and expense	59,813	77,756
Other	1,059,328	1,255,348
	<u>1,119,141</u>	<u>1,333,104</u>
PREMIUMS PAID ON ACQUISITIONS — at cost	<u>7,604,879</u>	<u>7,192,791</u>
	<u>\$246,864,083</u>	<u>\$243,798,414</u>
On behalf of the Board:		
A. F. CAMPO, Director		
J. R. PATTON, Director		



Liabilities

CURRENT:

Accounts payable and accrued charges	\$ 15,184,839	\$ 17,531,381
Due to affiliated companies	8,341,785	3,499,100
Due to parent company	17,793,290	14,608,529
Notes and bills payable	1,500,000	8,223,124
Current maturities of long-term debt	4,690,723	5,026,313
Total current liabilities	47,510,637	48,888,447

ADVANCES BY PARENT COMPANY (U.S. \$5,000,000) not due within one year

5,364,063	5,403,125
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LONG-TERM DEBT — (note 4)

46,738,863	49,499,830
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MINORITY INTEREST

500,706	549,760
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Total liabilities

100,114,269	104,341,162
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SHAREHOLDERS' EQUITY:

Capital — (note 5)

Common shares of \$10 par value:

Authorized — 12,000,000 shares

Issued — 9,953,824 shares

— (1967 — 9,931,974 shares)

99,538,240	99,319,740
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Contributed surplus

15,506,648	15,485,865
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Earned surplus — (note 4)

31,704,926	24,651,647
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146,749,814	139,457,252
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COMMITMENTS AND CONTINGENCIES — (note 7)

\$246,864,083	\$243,798,414
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(See accompanying notes)

Consolidated Statement of Profit and Loss and Earned Surplus

For the Year Ended December 31, 1968

(with comparative figures for the year ended December 31, 1967)



	1968	1967
Gross income :		
Operating income	\$161,146,306	\$153,902,284
Interest and other income	1,566,424	1,806,441
	<u>162,712,730</u>	<u>155,708,725</u>
Operating charges :		
Costs, operating, selling and general	133,844,356	129,044,005
Taxes other than income taxes	3,181,676	2,817,666
Depreciation	6,247,644	6,170,045
Depletion	3,316,061	4,009,413
	<u>146,589,737</u>	<u>142,041,129</u>
	16,122,993	13,667,596
Interest and discount on long-term debt	3,086,065	2,939,102
Profit before minority interests	13,036,928	10,728,494
Income applicable to minority interests	22,500	22,500
Net profit for the year	13,014,428	10,705,994
Earned surplus at beginning of year	24,651,647	19,892,957
	<u>37,666,075</u>	<u>30,598,951</u>
Dividends	5,961,149	5,947,304
Earned surplus at end of year	<u>\$ 31,704,926</u>	<u>\$ 24,651,647</u>

(See accompanying notes)

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1968

(with comparative figures for the year ended December 31, 1967)



	1968	1967
FUNDS PROVIDED:		
Funds provided from operations —		
Net profit for the year	\$13,014,428	\$10,705,994
Depreciation, depletion and amortization	9,777,668	10,376,140
	<u>22,792,096</u>	<u>21,082,134</u>
Long-term borrowings	2,000,000	15,586,407
Repayment of mortgages and other advances	2,592,460	3,239,308
Sale of fixed assets	1,581,480	2,143,261
Issue of shares	239,283	346,848
Disposal of investment in affiliated company	—	1,933,794
Increase (decrease) in minority interest	(49,054)	48,814
	<u>\$29,156,265</u>	<u>\$44,380,566</u>
FUNDS USED:		
Additions to properties, plant and equipment	\$16,611,807	\$32,331,928
Repayments of long-term debt	4,760,967	5,924,594
Dividends paid to shareholders	5,961,149	5,947,304
Investment in subsidiary company	661,072	—
Premiums paid on acquisitions and other items	627,272	845,754
Net increase (decrease) in working capital	533,998	(669,014)
	<u>\$29,156,265</u>	<u>\$44,380,566</u>
(See accompanying notes)		

Notes to Consolidated Financial Statements

December 31, 1968

1. ACCOUNTING POLICIES

The companies follow the full-cost method of accounting wherein all costs related to the exploration for and the development of oil and gas reserves are capitalized. The total costs thus capitalized are depleted on the composite unit of production method based on the estimated reserves of oil, gas and other saleable

products. Depreciation of plant and equipment is based on the estimated service lives of the assets, calculated on the straight-line method, except for vehicles where the diminishing balance method is used.

Inventories of oil products and other merchan-

dise are shown at the lower of cost or market (net realizable value). Cost of oil products has been determined on the basis of the last-in, first-out method. Inventories of materials and supplies are shown at the lower of cost or replacement value.

2. INVESTMENTS IN OTHER COMPANIES

Included in this amount is an investment of \$661,072 in a subsidiary company which has

not yet commenced commercial operations. Early in 1969 the equity interest was reduced

This refers to Fina Metal 51 percent sub. and this company is no longer a subsidiary. which is not consolidated

3. PROPERTIES, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation and depletion	Net book value
Production	\$141,204,646	\$ 51,447,788*	\$ 89,756,858
Refining	64,284,623	33,886,335	30,398,288
Marketing	60,150,590	21,784,179	38,366,411
Other	6,159,692	1,412,239	4,747,453
	<u>\$271,799,551</u>	<u>\$108,530,541</u>	<u>\$163,269,010</u>

*includes depletion of \$40,332,000.

4. LONG-TERM DEBT

Petrofina Canada Ltd. —

Secured:

6% loans due \$300,000 per annum to 1971 and the balance by 1972

Other

\$2,800,000
170,813

\$ 2,970,813

Unsecured:

4% Sinking fund debentures, Series A, due 1972 (issued \$25,000,000 less converted or redeemed — \$15,496,000)

5¼% Series A debentures, due \$1,000,000 annually to 1971 and the balance by 1972

6½% Series B debentures, due \$550,000 annually to 1971 and the balance by 1972

6½% Series C debentures, due \$300,000 annually to 1971 and the balance by 1972

7½% loan due by 1970 (U.S. \$3,450,000)

5¼% loan due \$700,000 annually to 1971 and the balance by 1972

Loan with interest at ½% above the prime rate, due \$100,000 annually to 1972 and the balance by 1973

Other

9,504,000
5,500,000
4,709,844
1,900,000
3,728,156
4,900,000

2,000,000
200,000

32,442,000

35,412,813

Subsidiaries —

Secured:

Loan with interest at ½% above the prime rate, due by 1975
6-6¾% loans repayable \$120,000 per annum, balance by 1972
6¾% First mortgage repayable in monthly instalments to 1981
Other

1,157,415
835,000
1,633,289
352,769

3,978,473

Unsecured:

6½% Guaranteed promissory notes due U.S. \$850,000 annually and the balance in 1981 — (U.S. \$11,150,000)

12,038,300

16,016,773

51,429,586

4,690,723

\$46,738,863

Less instalments included in current liabilities



Included in the covenants contained in the trust deeds or other agreements securing certain of the long-term debts are restrictions

5. CAPITAL

During the year 21,850 common shares were issued under the stock option plan. The premium of \$20,783 received on the issuance of these shares has been credited to contributed surplus. The Company has reserved 62,550 common shares for issuance under the

regarding the payment of dividends by the Company. At December 31, 1968, approx-

imately \$13,539,000 of the consolidated earned surplus was subject to such restrictions.

stock option plan, and as at December 31, 1968, options had been granted on 21,350 shares (including 1,650 shares optioned to directors or officers), particulars being as follows:

Number of shares	Option price per share	Date exercisable
3,350	\$10.00	To July 31, 1969
500	10.46	To November 25, 1975
5,500	11.02	To August 5, 1975
2,900	12.00	To October 31, 1971
2,600	12.625	To January 31, 1974
3,000	13.61	To February 4, 1975
3,500	14.00	To February 29, 1972

6. INCOME TAXES

For income tax purposes, intangible development costs, namely lease acquisition, exploration and drilling costs, have been claimed in excess of the related depletion and amortization reflected in the accounts, thus eliminating or reducing income taxes otherwise payable. On the other hand, capital cost allowances have been claimed in amounts which are less than the related depreciation reflected in the accounts.

The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in

financial years commencing on or after January 1, 1968. However, The American Institute of Certified Public Accountants does not require tax allocation procedures at this time with respect to intangible development costs in the oil and gas industry.

Management does not believe that tax allocation in respect of intangible development costs is appropriate and many other companies in the oil and gas industry in Canada are in agreement with this opinion. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs. At the

same time, no credit has been taken for future tax reductions which will result from timing differences involving depreciation and capital cost allowances.

If the tax allocation basis, as recommended by the Canadian Institute of Chartered Accountants, had been followed in current and prior years, a charge against income for the year for income taxes of approximately \$1,400,000 (1967 — \$1,000,000) would have been required and the cumulative amount of deferred tax credits to December 31, 1968 would have been approximately \$6,500,000.

7. COMMITMENTS AND CONTINGENCIES

Annual rentals payable on long-term leases (three years and over) for real property amount to approximately \$2,500,000.

Included in mortgages and other advances is an advance of \$588,172 (1967 — \$3,413,790) to an associated company which incurred losses in the course of developing its business.

There is no reason to believe that these losses, to the extent that they have not already been recovered, will not be fully recovered out of future earnings. At December 31, 1968 the Company was contingently liable under guarantee of bank loans of this company to the extent of \$3,700,000 (1967 — \$775,000).

At December 31, 1968 the companies had guaranteed loans of the unconsolidated subsidiary and of another company amounting to approximately \$4,000,000 and were contingently committed to purchase on or before December 31, 1970 bonds of another company in a maximum amount of \$1,580,000.

8. DIRECTORS' REMUNERATION

Remuneration paid to the directors and senior officers of the Company (as defined by the Ontario Securities Act, 1966) during 1968 was \$389,000, (1967 — \$414,000).

Petrofina Canada Ltd. and Subsidiaries
Ten-Year Review of Operations

Statistical	1968	1967	1966
Crude oil and natural gas liquids production (before royalty) for the year (thousands of barrels)	5,151	5,305	5,104
Natural gas sales (before royalty) for the year (millions of cubic feet)	24,969	23,494	22,057
Number of wells drilled in which Company had participation	89	76	119
Number of wells completed in which Company had participation	42	41	74
Sulphur sales (long tons)	52,400	81,100	74,900
Gross acreage (thousands of acres)	88,000	15,700	6,200
Net acreage (thousands of acres)	11,300	5,500	2,900
Crude oil run to refinery stills for the year (thousands of barrels)	17,666	15,852	13,290
Total outlets used in distribution of refined products	1,739	1,731	1,755
Number of employees	1,607	1,491	1,388
Financial (in thousands of Dollars)			
Gross income for the year	162,712	155,709	143,828
Net profit	13,014	10,706	9,292
Depreciation, depletion and amortization (including amortization of excess cost)	9,778	10,376	9,442
Total cash generated	22,792	21,082	18,920
Working capital	15,586	15,052	15,721
Total assets	246,864	243,798	229,231
Long-term debt	46,739	49,500	39,838
Book value of shareholders' equity	146,750	139,457	134,352

1965	1964	1963	1962	1961	1960	1959
4,614	4,578	4,393	4,306	3,306	2,934	2,666
21,631	22,179	20,320	19,186	6,500	3,399	2,297
84	66	86	143	142	65	72
43	42	52	112	95	45	50
71,500	57,000	49,500	25,100	—	—	—
5,800	5,600	5,400	5,800	6,180	5,300	5,040
—	—	—	—	—	—	—
12,168	11,702	11,559	10,552	10,461	9,720	9,181
1,783	1,783	1,768	1,751	1,711	1,679	1,591
1,352	1,262	1,116	1,146	1,092	856	979
43,345	139,155	131,388	84,551	67,677	61,556	59,863
8,549	7,076	6,973	6,706	5,517	1,031	1,376
8,870	8,950	8,191	8,490	7,116	6,518	6,239
17,550	16,157	16,399	16,519	14,069	8,740	8,466
12,396	10,370	10,153	12,993	11,251	11,262	11,551
220,349	203,808	201,761	185,818	182,938	174,124	150,848
34,378	31,935	27,910	27,808	30,699	30,352	24,579
30,999	127,737	126,266	125,038	122,981	117,399	103,047

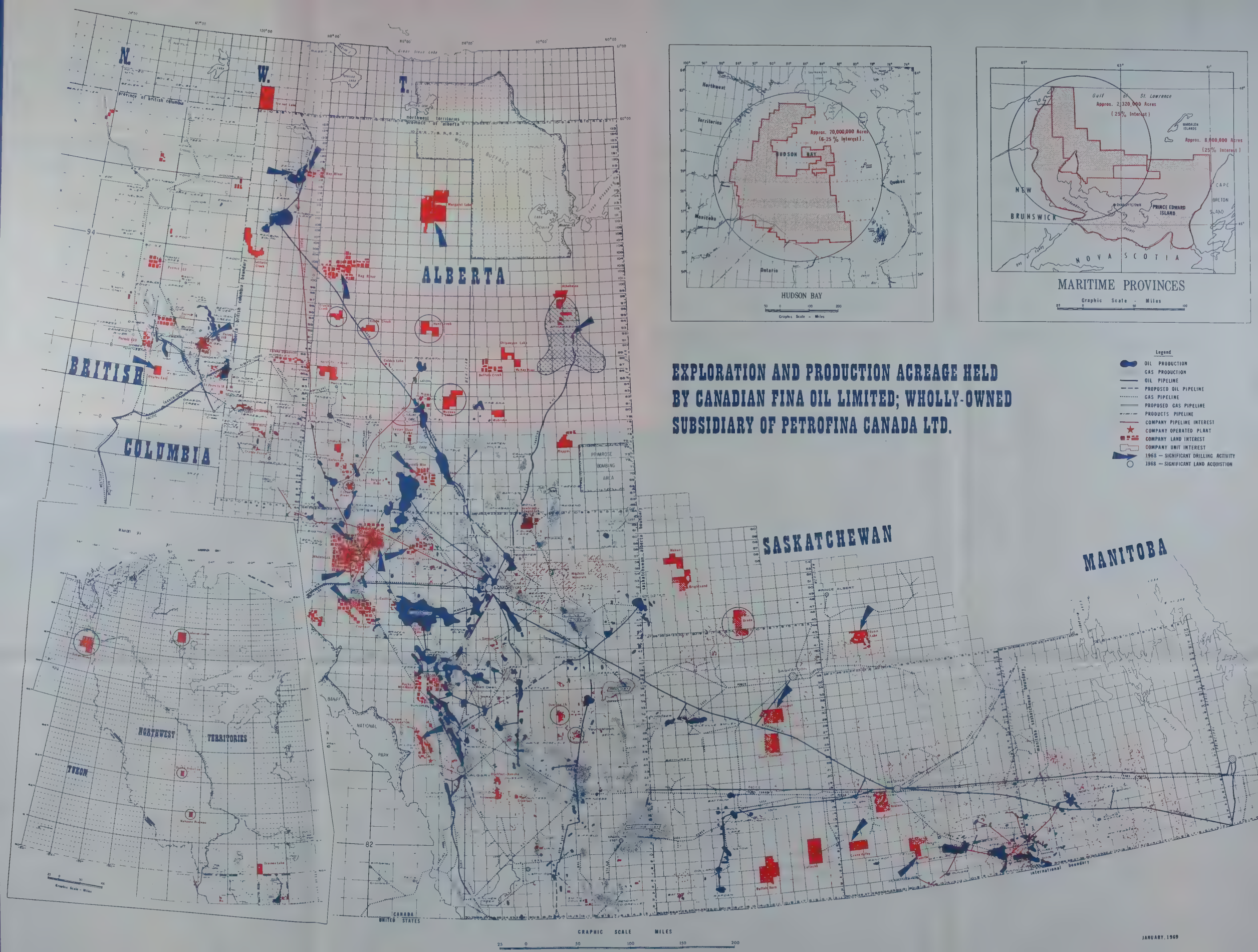
To the Shareholders of Petrofina Canada Ltd. :

We have examined the consolidated balance sheet of Petrofina Canada Ltd. and its subsidiaries as at December 31, 1968 and the consolidated statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Montreal, Canada,
February 14, 1969.



**EXPLORATION AND PRODUCTION ACREAGE HELD
BY CANADIAN FINA OIL LIMITED; WHOLLY-OWNED
SUBSIDIARY OF PETROFINA CANADA LTD.**

- Legend**
- OIL PRODUCTION
 - GAS PRODUCTION
 - OIL PIPELINE
 - PROPOSED OIL PIPELINE
 - GAS PIPELINE
 - PROPOSED GAS PIPELINE
 - PRODUCTS PIPELINE
 - COMPANY PIPELINE INTEREST
 - COMPANY OPERATED PLANT
 - COMPANY LAND INTEREST
 - COMPANY UNIT INTEREST
 - 1968 - SIGNIFICANT DRILLING ACTIVITY
 - 1968 - SIGNIFICANT LAND ACQUISITION

GRAPHIC SCALE - MILES

JANUARY 1969



AR13



On August 1, 1968 our name was changed to PETROFINA CANADA LTD. This does not mean any change in company operations or policies, and existing contracts bearing our old name will require no change until renewed or replaced. This also applies to share certificates, credit cards and other unexpired documents of all types.

In future, will you kindly use the new name when making payments and addressing communications to the Company. No change has been made in street addresses, mailing addresses and telephone numbers.

PETROFINA CANADA LTD.

August 1968.

(Au verso)



Le 1er août 1968, notre nom a été changé pour PETROFINA CANADA LTÉE. Cela n'affecte en rien les opérations ou les politiques de la compagnie et les contrats existants, qui portent notre ancien nom, ne requièrent aucun changement jusqu'à ce qu'ils soient remplacés ou renouvelés. Ceci s'applique également aux certificats d'actions, aux cartes de crédit et autres documents de tout genre présentement en vigueur.

Dans l'avenir, auriez-vous l'obligeance de vous servir de notre nouveau nom lorsque vous ferez des paiements et communiquerez avec la compagnie. Nos adresses et numéros de téléphone demeurent inchangés.

PETROFINA CANADA LTÉE.

Août 1968.

(See over)

Six months
June 30, 1968

(initials)

FOR RELEASE
AFTERNOON
TUESDAY, AUGUST 6, 1968.

A. F. Campo, Chairman of Petrofina Canada Ltd., announced today the results of the Company's operations for the six months ended June 30, 1968.

Net profits amounted to \$5,655.731.00, compared with \$4,199,373.00 for the same period in 1967. This is equal to 56.9 cents per share and 42.4 cents per share respectively.

The increase in earnings of 34.6%, Mr. Campo stated, was due chiefly to higher sales of fuel oils and petrochemicals.

Since the substantial improvement in earnings occurred mainly during the winter months, it should not be assumed that profits for the year will show the same percentage growth.

On August 2, 1968, a dividend in the amount of 30 cents per share was declared, payable on September 15, 1968 to shareholders of record on August 15, 1968.

In western Canada, the Company has met with some success in its exploration operations, particularly in the Fox Creek region of Alberta. A rapid evaluation of the area is now taking place.

Effective August 1, 1968, the name of Canadian Petrofina Limited was changed to "Petrofina Canada Ltd."

This change was merely for administrative convenience and no change in control of the Company, in its operations or in its policies, is involved.



INTERIM REPORT TO THE SHAREHOLDERS

For the six months ended June 30, 1968, net profits amounted to \$5,655,731.00, compared with \$4,199,374.00 for the same period in 1967. This is equal to 56.9 cents per share and 42.4 cents per share respectively. The increase in earnings of 34.6% was due chiefly to higher sales of fuel oils and petrochemicals.

Since the substantial improvement in earnings occurred mainly during the winter months, it should not be assumed that profits for the year will show the same percentage growth.

On March 15, 1968, a semi-annual dividend of 30 cents per share was paid to shareholders and on August 2, 1968 a dividend in the same amount was declared, payable on September 15, 1968 to shareholders of record on August 15, 1968. This latter dividend is enclosed.

In western Canada, the Company has met with some success in its exploration operations, particularly in the Fox Creek region of Alberta. A rapid evaluation of the area is now taking place.

Effective August 1, 1968, the name of Canadian Petrofina Limited was changed to "Petrofina Canada Ltd."

This change was merely for administrative convenience and no change in control of the Company, in its operations or in its policies, is involved.

It will not be necessary to exchange any registered share certificates or bearer share warrants for certificates or warrants bearing the new name of the Company since all such certificates and warrants previously issued remain valid.

A. F. CAMPO
Chairman of the Board

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the half year ended June 30, 1968

(with comparative figures for the half year ended June 30, 1967)

(Unaudited)

	1968	1967
FUNDS PROVIDED:		
Funds provided from operations –		
Net Profit for the period	\$ 5,655,731	\$ 4,199,374
Depreciation, depletion and amortization	5,144,424	5,112,858
	10,800,155	9,312,232
Long-term borrowings – net	–	12,282,584
Repayment of mortgages and other advances	–	2,945,380
Sale of fixed assets	581,819	970,192
Issue of shares	23,000	78,793
Disposal of investment in affiliated company	–	1,933,794
Increase in minority interest	–	–
	<u>\$11,404,974</u>	<u>\$27,522,975</u>
FUNDS USED:		
Addition to properties, plant and equipment	\$ 5,865,165	\$22,766,570
Long term debt repayments	1,448,834	–
Premium paid on acquisitions and other items	–	199,901
Addition to mortgages and other advances	999,007	–
Dividends paid to shareholders . .	2,979,682	2,969,527
Net increase (decrease) in working capital	112,286	1,586,977
	<u>\$11,404,974</u>	<u>\$27,522,975</u>

DIRECTORS' REMUNERATION

Remuneration paid to directors of the Company during the first half of 1968 as directors and officers of the companies totalled \$139,000.

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

for the half year ended June 30, 1968

(with comparative figures for the half year ended June 30, 1967)

(Unaudited)

	<u>1968</u>	<u>1967</u>
Gross income:		
Operating income.....	\$85,212,905	\$75,251,769
Interest and other income.....	<u>876,938</u>	<u>924,800</u>
	<u>86,089,843</u>	<u>76,176,569</u>
Operating charges:		
Costs, operating, selling and general	72,192,213	64,511,488
Taxes other than income taxes ..	1,474,383	1,262,524
Depreciation	3,086,448	2,982,821
Depletion.....	<u>1,961,566</u>	<u>1,958,817</u>
	<u>78,714,610</u>	<u>70,715,650</u>
	7,375,233	5,460,919
Interest and discount on long-term debt	1,508,252	1,250,295
Provision for income taxes	<u>200,000</u>	<u>—</u>
Profit before minority interests	5,666,981	4,210,624
Income applicable to minority interests	<u>11,250</u>	<u>11,250</u>
Net profit for the period	5,655,731	4,199,374
Earned surplus at beginning of year ..	<u>24,651,647</u>	<u>19,892,957</u>
	30,307,378	24,092,331
Dividends	<u>2,979,682</u>	<u>2,969,527</u>
Earned surplus at end of the period ..	<u>\$27,327,696</u>	<u>\$21,122,804</u>

AR13

PETROFINA CANADA LTEE ET SES FILIALES

ETAT DE LA SOURCE ET DE L'EMPLOI DES FONDS

pour le semestre se terminant le 30 juin 1968

(comparé aux chiffres en date du 30 juin 1967)

(Non certifié par les vérificateurs externes)

	1968	1967
SOURCE:		
Fonds provenant des opérations —		
Bénéfice net du semestre	\$ 5,655,731	\$ 4,199,374
Amortissement et épuisement	5,144,424	5,112,858
	<u>10,800,155</u>	<u>9,312,232</u>
Emprunts à long terme — net	—	12,282,584
Remboursement d'hypothèque et autres avances	—	2,945,380
Vente d'immobilisations	581,819	970,192
Emission d'actions	23,000	78,793
Vente d'investissement dans une société affiliée	—	1,933,794
Augmentation des participations minoritaires	—	—
	<u>\$11,404,974</u>	<u>\$27,522,975</u>
EMPLOI:		
Addition aux propriétés, installations et épuisement	\$ 5,865,165	\$22,766,570
Paiements de dettes à long terme .	1,448,834	—
Excédents payés lors d'acquisitions et autres éléments .	—	199,901
Accroissement des hypothèques et autres avances	999,007	—
Dividendes versés aux actionnaires	2,979,682	2,969,527
Augmentation (diminution) nette du fonds de roulement	112,286	1,586,977
	<u>\$11,404,974</u>	<u>\$27,522,975</u>

REMUNERATION DES ADMINISTRATEURS

La rémunération versée aux Administrateurs de la Société au cours du premier semestre de 1968 à titre d'administrateurs et officiers des sociétés s'est élevée, au total, à \$139,000.

PETROFINA CANADA LTEE ET SES FILIALES

ETAT CONSOLIDE DE PROFITS ET PERTES ET DE BENEFICES ACCUMULES

pour le semestre se terminant le 30 juin 1968

(comparé aux chiffres en date du 30 juin 1967)

(Non certifié par les vérificateurs externes)

	<u>1968</u>	<u>1967</u>
Revenus bruts:		
Revenus d'exploitation	\$85,212,905	\$75,251,769
Intérêts et autres revenus	<u>876,938</u>	<u>924,800</u>
	<u>86,089,843</u>	<u>76,176,569</u>
Frais d'exploitation:		
Prix de revient, frais d'exploitation, frais de vente et frais généraux . . .	72,192,213	64,511,488
Taxes autres que les impôts sur le revenu	1,474,383	1,262,524
Amortissement	3,086,448	2,982,821
Epuisement	<u>1,961,566</u>	<u>1,958,817</u>
	<u>78,714,610</u>	<u>70,715,650</u>
	7,375,233	5,460,919
Intérêts et escompte sur les dettes à long terme	1,508,252	1,250,295
Provision pour impôts	<u>200,000</u>	<u>—</u>
Bénéfice avant participation minoritaire	5,666,981	4,210,624
Bénéfice applicable aux participations minoritaires	<u>11,250</u>	<u>11,250</u>
Bénéfice net du semestre	5,655,731	4,199,374
Bénéfices accumulés au début du semestre	<u>24,651,647</u>	<u>19,892,957</u>
	30,307,378	24,092,331
Dividendes	<u>2,979,682</u>	<u>2,969,527</u>
Bénéfices accumulés à la fin du semestre	<u>\$27,327,696</u>	<u>\$21,122,804</u>



RAPPORT INTERIMAIRE AUX ACTIONNAIRES

Les profits nets pour le premier semestre se terminant le 30 juin, 1968 se sont élevés à \$5,655,731 comparé à \$4,199,374 pour la même période en 1967. Ceci équivaut à 56.9 cents par action pour le premier semestre de 1968 et 42.4 cents par action, l'année précédente. L'accroissement des revenus de 34.6% est dû principalement aux ventes d'huile à chauffage et produits pétrochimiques.

Puisque les améliorations dans les revenus sont survenues surtout durant les mois d'hiver, on ne doit pas présumer que les profits pour l'année seront proportionnellement accrus.

Le 15 mars, 1968 un dividende semi-annuel de 30 cents par action a été payé aux actionnaires et le 2 août, 1968 un dividende au même montant a été déclaré et sera payable le 15 septembre 1968 aux actionnaires enregistrés le 15 août, 1968. Ce dernier dividende est inclus.

Dans l'ouest du Canada la Compagnie a connu certains succès dans ses explorations, particulièrement dans la région de Fox Creek, en Alberta. Une évaluation rapide de ce territoire est en cours.

A compter du premier août, 1968 le nom de Canadian Petrofina Limited a été changé à Petrofina Canada Ltée. Ce changement n'est que pour fins d'administration et n'implique aucun changement dans le contrôle de la Compagnie, ses opérations ou ses politiques.

Il ne sera pas nécessaire d'échanger les certificats d'actions pour de nouveaux certificats portant le nouveau nom puisque les anciens certificats demeurent valides.

A. F. CAMPO
Président du Conseil d'Administration